

## INDIAN BANKS' ASSOCIATION MUMBAI

Central Scheme to provide Interest Subsidy for the period of moratorium on Educational Loans taken by students from Economically Weaker Sections from scheduled banks under the Educational Loan Scheme of the Indian Banks' Association to pursue Technical/Professional Education studies in India.

### Introduction

One of the major concerns of the Government is to ensure that nobody is denied Professional education because he or she is poor. The Indian Banks' Association (IBA) had formulated a comprehensive model educational loan scheme for adoption by all Banks aimed at providing financial support from the banking system to deserving/meritorious students for pursuing higher education in India and abroad.

### Objective of the Scheme

The Government of India has now approved a scheme to provide full interest subsidy during the period of moratorium i.e., Course Period plus one year or six months after getting job, whichever is earlier, on loans taken by students belonging to Economically Weaker Sections from scheduled banks under the Educational Loan scheme of the Indian Banks' Association, for pursuing any of the approved courses of studies in technical and professional streams, from recognised institutions in India. The nomenclature of the Scheme would be " Central Scheme to provide Interest Subsidy (CSIS) for the period of moratorium on Educational Loans taken by students from Economically Weaker Sections from scheduled banks under the Educational Loan Scheme of the Indian Banks' Association to pursue Technical/Professional Education studies in India".

### Applicability of the Scheme

The Scheme could be adopted by all scheduled Banks and would be applicable only for studies in recognised Technical/Professional Courses in India. The interest subsidy shall be linked with the existing Educational Loan Scheme of IBA and restricted to students enrolled in recognised Technical/Professional Courses (after Class XII) in India in Educational Institutions established by Acts of Parliament, other Institutions recognised by the concerned Statutory Bodies, Indian Institutes of Management (IIMs) and other Institutions set up by the Central/State Government.

### Interest Rates

The interest rates charged on the educational loan shall be as per the BPLR/Base Rate of the individual banks and as per the provisions for interest rates under the IBA Model Educational Loan Scheme.

### Moratorium Period

Under the Central Scheme, the interest payable by the student belonging to EWS for availing of the Educational Loan for Technical/Professional Courses in India for the period of moratorium i.e., Course Period plus one year or six months after getting job, whichever is earlier, as prescribed under the Educational Loan Scheme for the Indian Banks' Association, shall be borne by the Government of India. After the period of moratorium is over, the interest on the outstanding loan amount shall be paid by the student, in accordance with the provisions of the existing Educational Loan Scheme of Banks and as may be amended from time to time, whichever is earlier.

### Income Limit/Proof

The benefits of the Scheme would be applicable to those student belonging to economically weaker sections, with an annual gross parental/family income upper limit of Rs. 4.5 lacs per year (from all sources). Income proof shall be required from the students from such public authorities which are authorised by the State Governments for certification of income status for this Scheme, including Central and State Sector Schemes. The present scheme is intended to cater to the needs of students belonging to economically weaker sections with prescribed upper parental gross income limit of the family from all sources, which is based on economic index and not on social background. The scheme is independent of any other schemes which may cater to EWS.

### Competent Authority

The Ministry of HRD, Government of India shall issue an Advisory to all the State Governments requesting them to designate appropriate authority or authorities who are competent to issue income certificates, based on economic index and not social background, for the purpose of this scheme.

The Banks shall implement the Scheme based on the notification of the certification authority by State Governments communicated through District Level Consultative Committees (DLCCs).

### Eligibility for Interest Subsidy

The interest subsidy under the Scheme shall be available to the eligible students only once, either for the first undergraduate degree course or the post graduate degrees/diplomas in India. Interest Subsidy shall, however, be admissible for integrated courses (graduate + post graduate).

Interest Subsidy under this Scheme shall not be available for those students once they discontinue the course midstream, or who are expelled from the Institutions on disciplinary or academic grounds. However, the interest subsidy will be available only if the discontinuation was due to medical grounds for which necessary documentation to the satisfaction of the Head of educational institution will have to be given.



### Awards/Certificates

There would be tag/marker on the degree of the student indicating his repayment liabilities. Electronic Tags will enable employers to identify loanees.

( The Ministry of HRD has initiated the proposal to dematerialize the educational awards/certificates, setting up of Depository for maintaining the records in dematerialized form and providing service to the users. Banks can have online access for verification process, which would eliminate fraudulent practices like forging of certificates and marks sheets.)

### Similar Schemes

The National Minorities Development and Finance Corporation (NMDFC) has an Educational Loan Scheme for individual beneficiaries, which is implemented through State Channelizing Agencies (SCAs). The National Safai Karamcharis Finance and Development Corporation (NSKFDC), National Backward Classes Finance and Development Corporation (NBCFDC), National Scheduled Castes Finance and Development Corporation (NSCFDC), and the National Handicapped Finance and Development Corporation (NHFDC), under the Ministry of Social Justice and Empowerment also provide educational loan to the students of the target group for higher education. Interest on Education Loan provided under the educational loan schemes of these four corporations, if the loans are for pursuing professional courses after XII class, shall also be subsidized for the period of moratorium as per the terms and conditions of this Scheme. The interest charged by NMDFC, NSKFDC, NBCFDC, NSCFDC and NHFDC are to be paid by Government direct to the respective Corporations.

### Nodal Bank

The Scheme shall be implemented through Canara Bank, which is the Nodal Bank for the Ministry of Human Resource Development. Modalities for implementation and monitoring shall be finalised in consultation with the Canara Bank.

### Applicable Academic Year

The Scheme shall be applicable from the academic year 2009-10 starting 1<sup>st</sup> April, 2009. The loan amount taken starting from the Academic Year 2009-10 (irrespective of the date of sanction) shall only be covered under the scheme of interest subsidy. Interest on any amount disbursed for courses starting before the academic year 2009-10 would not be considered for subsidy.

### List of Technical/Professional courses

A list of Technical/Professional courses for which the Scheme shall be applicable, shall be brought out by the Ministry of Human Resource Development in consultation with the concerned Ministries/Departments and the Indian Banks' Association and publicized from time to time. As regards list of accredited universities/institutions and recognised professional courses, UGC and AICTE would immediately display the names of such institutions and courses in their websites, which may be accessed for verification purposes. In case of doubt, Banks may approach UGC/AICTE and other councils for clarification, for which UGC/AICTE and other councils would be requested to create Cells and identify Nodal officers whom banks can approach for relevant information.

### Monitoring

A monitoring mechanism shall be evolved by the Ministry of HRD to monitor the benefits accruing to different categories of loanees, such as Scheduled Castes, Scheduled Tribes, Minorities, Disabled, etc.

### Disbursement of Interest Subsidy claims

The disbursement of interest subsidy claims to the Banks shall be on half yearly or yearly basis, as decided by the Ministry of HRD, Govt. of India.

### Interest Concession

Under the IBA Scheme, 1% interest concession is provided for the loanees if the interest is serviced during the period when repayment holiday is specified for interest/repayment under the scheme. This 1% interest concession would be extended under the Central Scheme of Interest Subsidy, provided the Government of India disburses interest subsidy claims to the Banks on half-yearly or yearly basis.

### Claims by RRBs

RRBS should submit their claim directly to Canara Bank, the nodal bank and not to route it through the sponsor bank.

### Audit

Statutory Audit of the Accounts coinciding with the Annual Statutory Audit of the Bank should be conducted once a year.

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### **Certificate and Undertaking**

1. Certified that interest subsidy (reimbursement) claim/(s) submitted by us is/are in respect of the Student/(s) who is/are eligible under the Interest Subsidy Scheme announced by the Government of India.
2. Certified further that we have verified and are satisfied about the genuineness and correctness of the interest subsidy claim/(s) submitted by us and the same is/are correct, accurate and genuine and is/are as per the Interest Subsidy Scheme announced by the Government of India.
3. We further agree and undertake to remit any amount received from Canara Bank in excess of our claim/amount reimbursed by Government of India to Canara Bank. Further, we authorise Canara Bank to return the amount received from the Government against our claim/s and held by Canara Bank, if the Government requests for such refund for whatever reason.
4. Certified that we have exercised due diligence in furnishing the information in the reporting Format to claim the reimbursement of the interest subsidy from Government of India.

Name:

Designation:

Date:

Signature & Official Seal of Authorised Signatory



## AGREEMENT

(To be stamped as an Agreement)

**(Between the Student and the Branch of the Bank)**

This Agreement for availing of interest subsidy under the Central Sector Scheme of Interest Subsidy on Student's Loan for Professional Education in India made at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_.

### BETWEEN

Sri/Smt. \_\_\_\_\_ (Parent/Guardian) S/o D/o \_\_\_\_\_ aged \_\_\_\_\_ Years, residing at \_\_\_\_\_

### AND

Sri/Smt. \_\_\_\_\_ (Student) S/o D/O \_\_\_\_\_ aged \_\_\_\_\_ Years, residing at \_\_\_\_\_ represented by father/guardian  
Sri/Smt. \_\_\_\_\_ S/o D/O \_\_\_\_\_ aged \_\_\_\_\_ years, residing at \_\_\_\_\_

Parent and Student hereinafter jointly called the Borrowers and individually as Borrower of the FIRST PART ( which term wherever the context so requires or admits shall also include his/her/their heirs, executors and assigns).

### AND

\_\_\_\_\_ Bank, a body corporate constituted under the Banking Companies [Acquisition & Transfer of Undertakings] Act, 1970 having its Head Office at \_\_\_\_\_ and having among other Offices, a branch office at \_\_\_\_\_ represented by their duly constituted attorney Sri/smt. \_\_\_\_\_ hereinafter called the 'Bank' ( which expression wherever the context so requires or admits shall also include its Attorneys, Administrators, Successors and Assigns) of the OTHER PART.

**Borrowers** and \_\_\_\_\_ **Bank** shall be individually referred to herein as a 'Party' and collectively as '**Parties**'

### WHEREAS

1. The Borrowers availed/intend to avail Educational Loan from the Bank and the Bank sanctioned/agreed to sanction Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_) for pursuing technical/professional education in India. The Borrowers in consideration of the said sanction/promise has executed/shall execute the Educational Loan Agreement, besides such other agreement/s or security/ies as per the Model Educational Loan Scheme.

2. Integrated Finance Division, Department of Higher Education, Ministry of Human Resource Development, Government of India (MoHRD) has come out with a Central Sector Scheme of Interest Subsidy on Students' Loan for Technical/Professional Education in India (hereinafter called the Interest Subsidy Scheme) to provide interest subsidy on the education loans availed by students having lower than a specified parental income as decided by the MoHRD in the said Scheme for pursuing professional education in India, during their study/ repayment holiday, from the Academic Year 2009-2010,

3. The Borrowers represented that they are eligible for interest subsidy under the said Interest Subsidy Scheme and requested the Bank to grant such benefit to them.

4. Based on the documents submitted by the Borrowers, the Bank agreed to extend the benefit under the said Interest Subsidy Scheme to the Borrowers and the parties hereto desire to enter into an agreement setting out the terms and conditions as hereinafter appearing, in addition to the loan/security documents executed/to be executed by the Borrower/s.

IT IS HEREBY AGREED AND DECLARED BY AND BETWEEN THE PARTIES AND THIS DEED WITNESSETH AS FOLLOWS:

1. The borrowers hereby covenant:

a) That they have read and understood the Interest Subsidy Scheme of the MoHRD which is enclosed as part of this Agreement and declare and affirm that they are eligible under the said Scheme and are eligible for the interest subsidy as per the said Scheme.

b) That they shall produce all proof and documents or any other further/ supporting documents as required by the Bank/ MoHRD.

c) That all the clauses contained in the Educational Loan Agreement or any other documents executed by them shall be binding on them and this is in addition to the covenants/ clauses contained in the said Agreement/documents.

d) That they shall return/ refund the amount received towards interest subsidy under the Scheme, with applicable rate of interest then prevailing, forthwith on a mere demand by the Bank under the following circumstances:

i) if MoHRD rejects the interest subsidy claim in respect of their Educational Loan Account for whatever reason; or

ii) if it is found that the subsidy has been claimed by misrepresentation/ fraud; or

iii) if Borrower/s fail/s to furnish the documents/information, which they are called upon to furnish; or

iv) if Borrowers commit breach of any of the covenants herein contained or of the terms and conditions of the Scheme as amended from time to time or any of the declarations made herein is found false/ incorrect; or

- v) if Borrowers commit breach of any of the covenants contained in the Educational Loan Agreement or any other documents/s executed by the Borrower/s; or
- vi) if the Borrower/s discontinue the said professional education in India; or
- vii) Any other reason by which the Bank recalls the said Educational Loan.

The repayment holiday/other eligibility as is available under the Model Educational Loan Scheme shall not be eligible for the subsidy.

The Bank shall also have the right to recall the loan, if the said refund id not made within the period stipulated by the Bank in its demand, besides the right not to claim further reimbursement from the MoHRD.

e) That they shall directly take up with MoHRD, in case of rejection of their interest subsidy claim submitted by the Bank and the Bank shall not be made a party to the same. Borrowers shall, on receipt of such intimation from the Bank/MoHRD, submit further clarification/documents, if any, required by the MoHRD directly to MoHRD.

f) That they shall comply with and faithfully observe all the terms and conditions of the said Interest Subsidy Scheme and also all the subsequent amendments and modifications and additions thereto together with the conditions of the sanction of the said Educational Loan.

That they shall bear all expenses required in connection with the execution of the Agreement or enforcement of its terms and conditions.

IN WITNESS WHEREOF BORROWERS and the BANK have hereunto set their respective hands on the day and place mentioned above.

BORROWERS:

FOR BANK

1. \_\_\_\_\_

\_\_\_\_\_

2. \_\_\_\_\_

\_\_\_\_\_



## **Format of Letter to be obtained from other Banks**

**Ref:**

2008

The General Manager  
Canara Bank  
HO: Bangalore

Dear Sir,

**Sub: Central Sector Scheme of Interest Subsidy on Students' Loan for Professional Education in India by the Ministry of Human Resources, Government of India.**

We note that ~~Integrated Finance Division~~, **Higher Education Bureau**, Department of Higher Education, Ministry of Human Resources Development, Government of India (Government) has come out with the subject Scheme to provide interest subsidy on the education loans availed by students having lower than a specified parental income for pursuing professional education in India, during their study/repayment holiday, from the Academic Year 2009-2010 and Canara Bank has been designated as the facilitator for the purpose of smooth implementation of the Scheme to the borrower Students coming under the purview of the Scheme.

We understand that Canara Bank shall be a mere facilitator between the Government and other Banks eligible under the Scheme and the role of Canara Bank is to forward the interest subsidy claims submitted to it by various Banks coming within the purview of the said Scheme after its consolidation and distribute the reimbursement proceeds as allowed by the Government to the concerned Banks. We note that Canara Bank will be distributing the amount only and only if the Government reimburses the interest subsidy against the claim/s made by the Bank.

We also know that the entire responsibility in respect of submission, verification of genuineness/authenticity of the interest subsidy claim of the Borrower/s and confirmation of his/her/their eligibility is on us. Under normal circumstances, we shall not make Canara Bank a party to the dispute, if any, between the student and our Bank or between the Government and our Bank or between the Government and the Student.

We shall submit the interest subsidy claim/s as prescribed under the Scheme on an ongoing basis.

If the Government demands refund of the amount reimbursed under the said Scheme and received by us towards one or more of the Educational Loan accounts, we shall directly remit the amount to the Government without implicating Canara Bank. However, if Canara Bank refunds to the Government in any circumstances we shall remit the said amount to Canara Bank immediately on demand. In case we fail to remit the said amount within

the stipulated time as demanded, Canara Bank is entitled to recover the same from the amount to be distributed to us towards interest subsidy claims in the subsequent periods. Further, we have no objection in Canara Bank returning the amount of reimbursement received from the Government, before its distribution, on Government's specific request.

We shall exercise due diligence in identifying the eligible borrowers and submission of claim.

Hence, we request you to receive the interest subsidy claim/s of our Bank on an ongoing basis and forward the same to the Government and distribute the amount reimbursed by the Government towards our claim.

Yours faithfully,

1.: final certificate and undertaking.